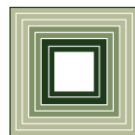


Department of the State Treasurer

Joint Appropriations Subcommittee on General Government

Feb. 14, 2013



FISCAL RESEARCH DIVISION
A Staff Agency of the North Carolina General Assembly

Outline

- Provide a broad overview of the Department and budget, including mission statements, where applicable
- Highlight relevant Session Law's impacting fiscal matters
- Present relevant output and outcome measures, as available

Overview

- Constitutional Office: Article III, Section 7
- Duties prescribed in Article 6, G.S. 147
- Acts as financial advisor to state and local Governments
 - Financial Operations
 - Investments
 - State and Local Government Financial Oversight
 - Retirement
 - Unclaimed Property
 - State Health Plan*

Mission and Vision of the Department

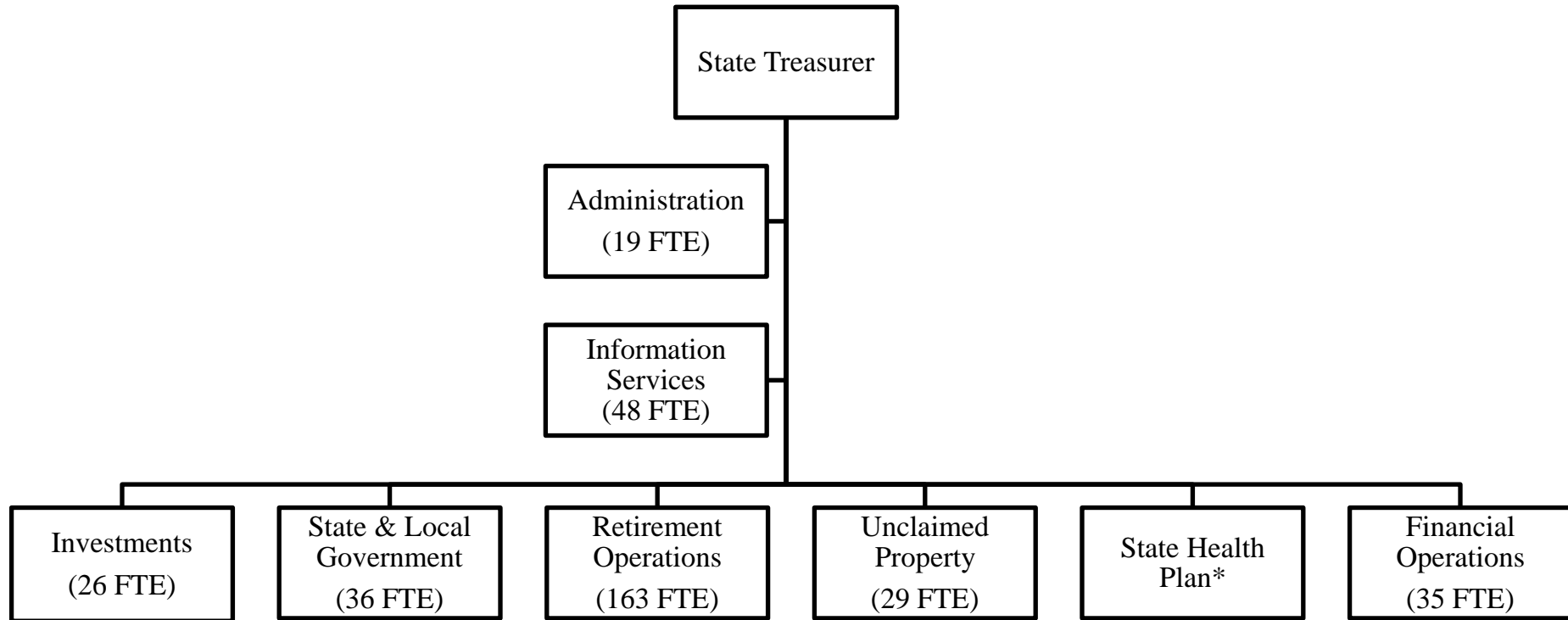
Vision

To create and maintain a fiscally sound and prosperous North Carolina

Mission

To exercise fiduciary oversight and provide outstanding customer service that provides value to, and instills confidence by, the state's citizens, customers, and financial community

Organization of the Department



State Health Plan

- State Health Plan transferred to the Treasurer in S.L. 2011-85
- State Health Plan is not under the purview of the Appropriations Sub-Committee on General Government
- Information presented here does not reflect expenditures by the State Health Plan

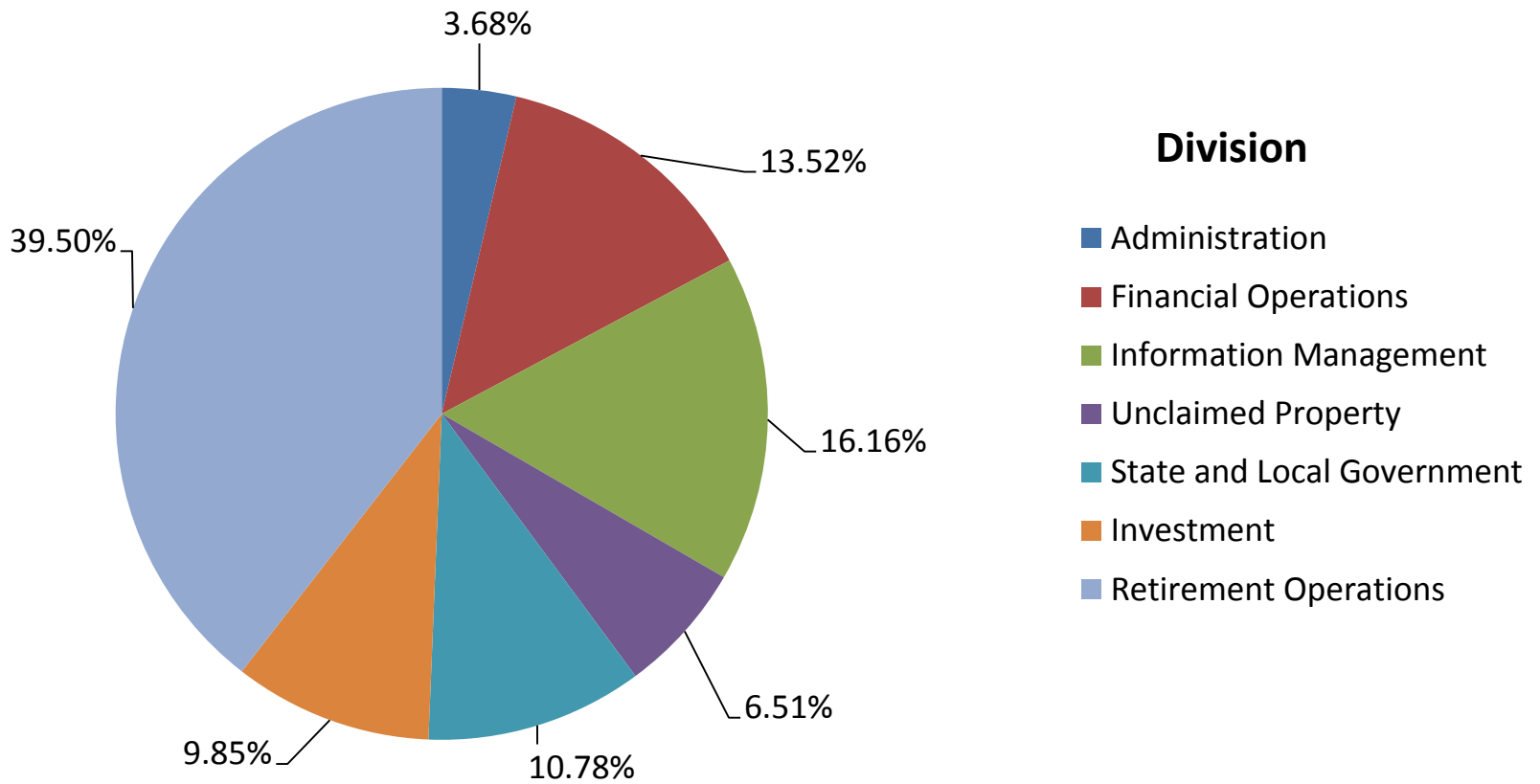
Funding for the Department

- The Department is 100% “Receipt” Supported:
 - Annual Appropriations are reimbursed
 - Funding Sources Include:
 - Funds under management
 - Internal charges to divisions under management
 - Local sales tax and fees related to debt issuances
- General Assembly authorization is required for the expenditure of State funds

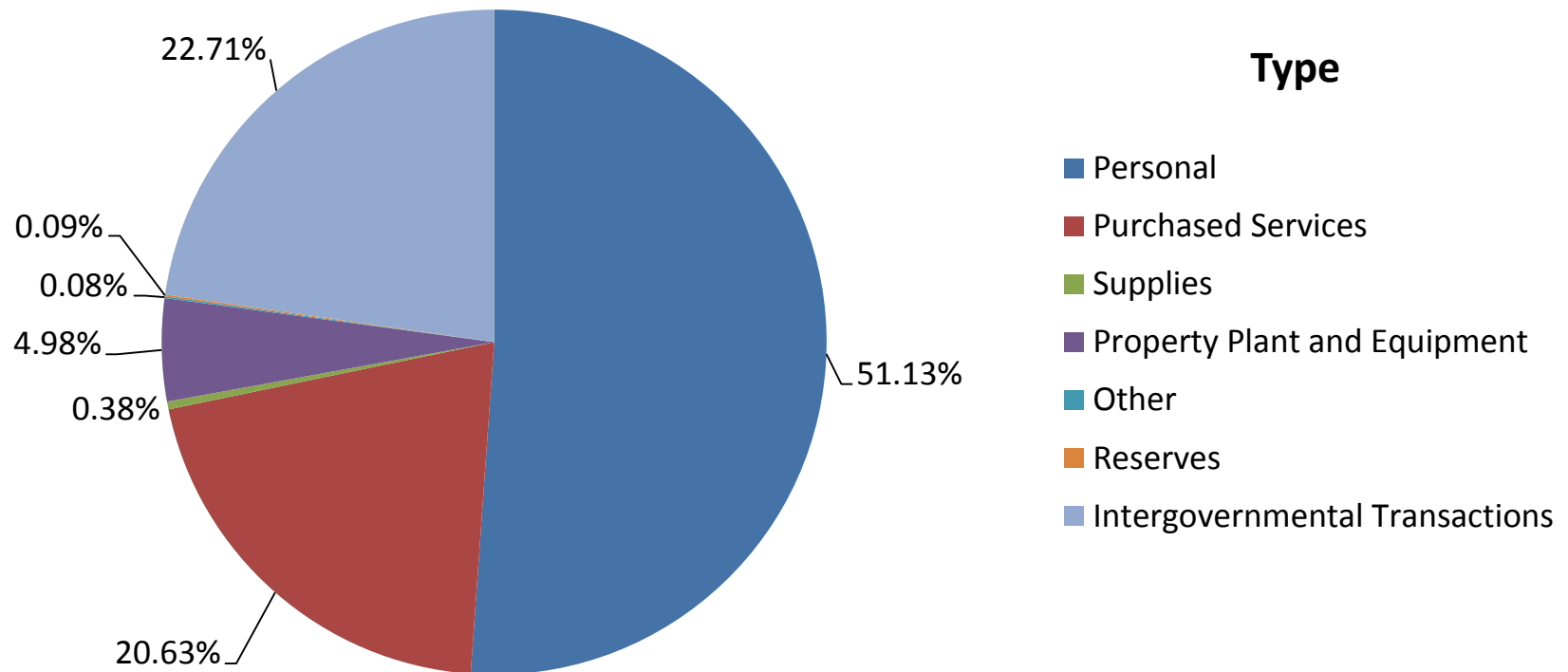
Total Budget Figures

	Actual	Actual	Certified	Recommended Continuation	Recommended Continuation
Fiscal Year	2011	2012	2013	2014	2015
Requirements	\$44,236,979	\$45,728,716	\$51,552,531	\$47,823,523	\$47,823,523
Receipts	\$35,560,173	\$39,261,560	\$44,701,441	\$40,972,433	\$40,972,433
Appropriation	\$8,676,806	\$6,583,481	\$6,851,090	\$6,851,090	\$6,851,090
FTE (Certified)	355.94	357.44	357.44	361.98	361.98

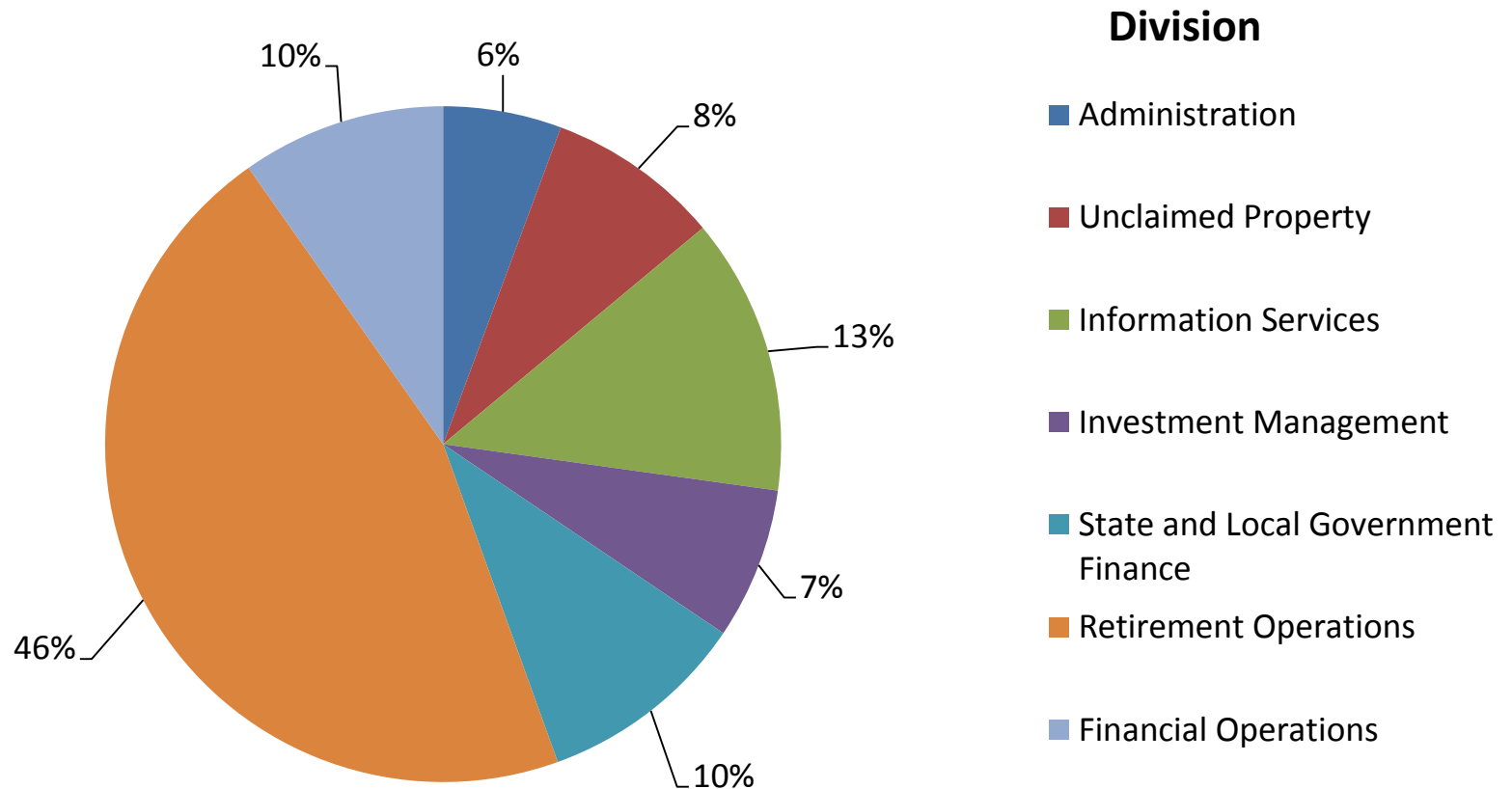
FY 2012-13 Total Certified Budget, By Division, All Funds



FY 2012-13 Total Expenditures, By Type, All Funds

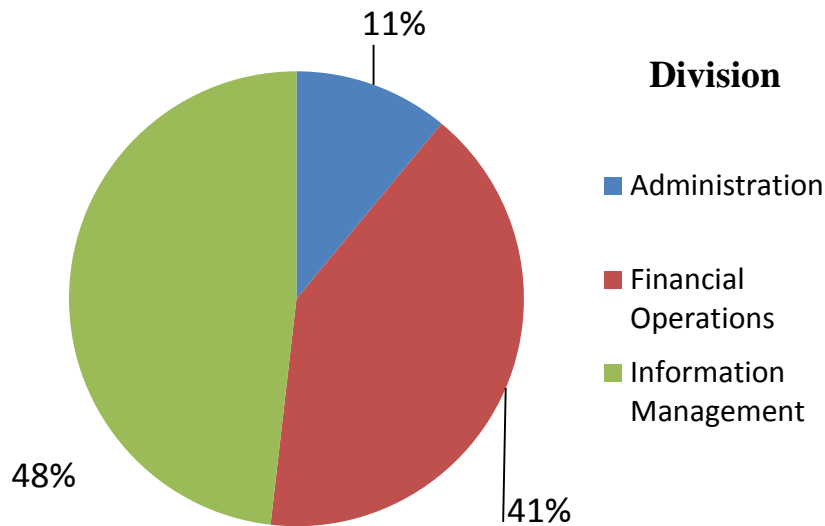


FY 2012-13 Total Certified Positions by Division, All Funds

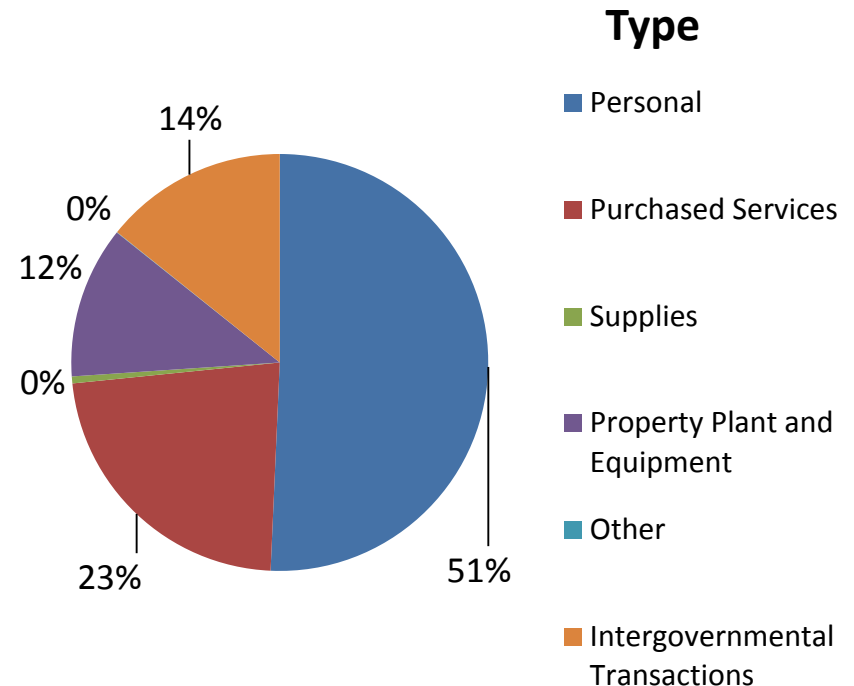


Total Budget for Administration, By Division, All Funds

**FY 2012-13 Certified Budget,
Administrative Divisions**



**FY 2012-13 Certified Budget, by
Type**



Administration of the Department

- Treasurer
- General Administration
- Legislative and Government Affairs
- Financial Operations*
- Information Management*
- Human Resources
- Internal Audit
- Community Affairs
- Communications
- Legal Counsel

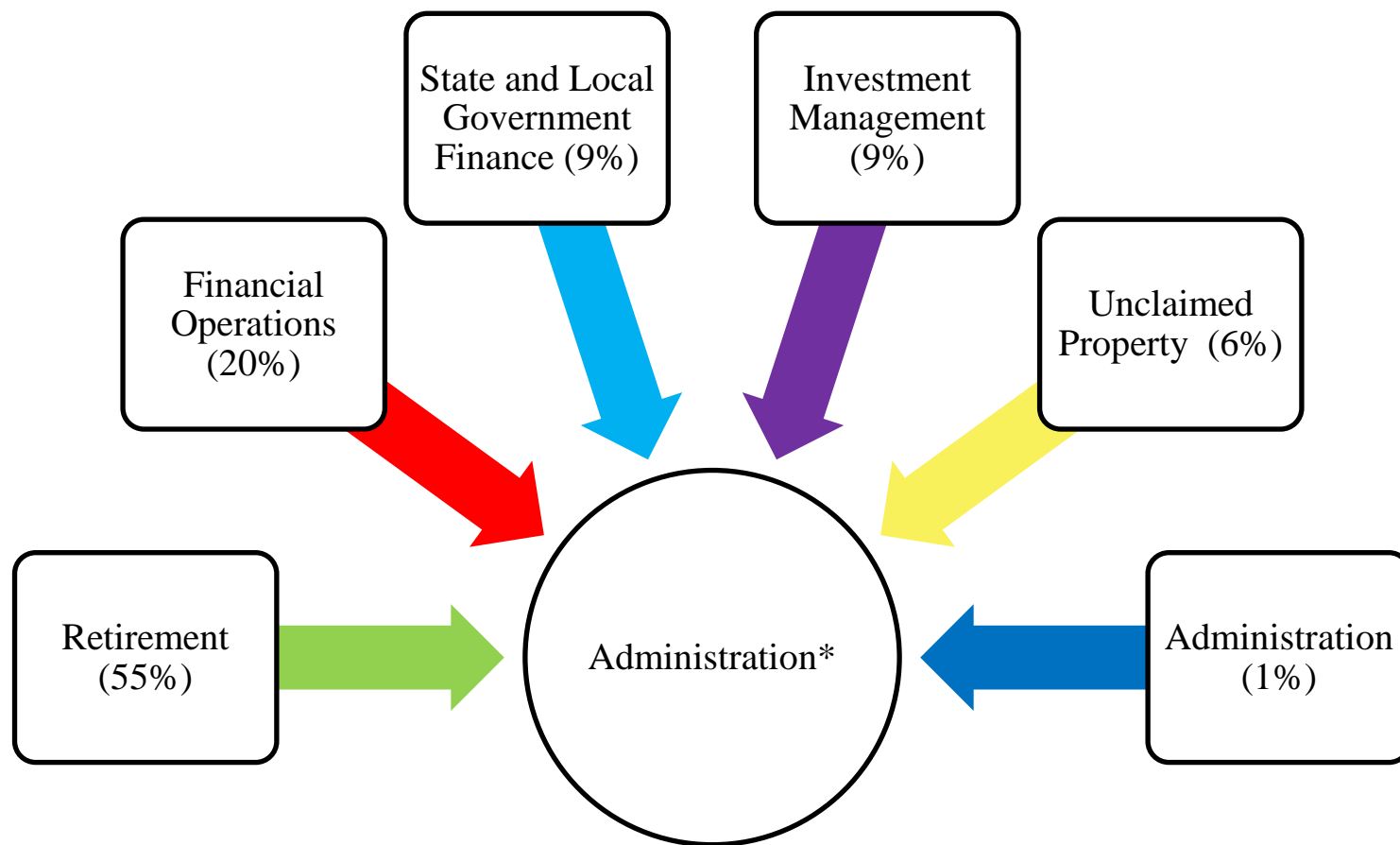
* Separate Divisions within the Department

Administration of the Department

	Actual	Actual	Certified	Recommended Continuation	Recommended Continuation
Fiscal Year	2011	2012	2013	2014	2015
Requirements	\$14,508,048	\$14,600,895	\$17,196,727	\$15,127,423	\$15,127,423
Receipts	\$11,682,099	\$11,526,779	\$13,890,426	\$11,821,122	\$11,821,122
Appropriation	\$2,825,948	\$3,074,115	\$3,306,301	\$3,306,301	\$3,306,301
FTE (Certified)	103.3	102.8	102.8	103.3	103.3

Includes Financial Operations and Information Services

FY 2012-13 Support for Administration of Department, by Division, All Funds



*Administration includes Financial Operations and Information Management

Administration – Financial Operations

- G.S. 147-68 deposits all State funds with the Treasurer
- Provides Accounting Support services to the entire Department
- Provides Core Banking Services to the Entire State
 - Core Banking is allowed to cost allocate its appropriation to funds under management per G.S. 147-68.1.
 - S.L. 2012-142 allowed the Financial Operations Division to access investments under management by the Treasurer to upgrade the State's Core Banking System

Administration – Financial Operations

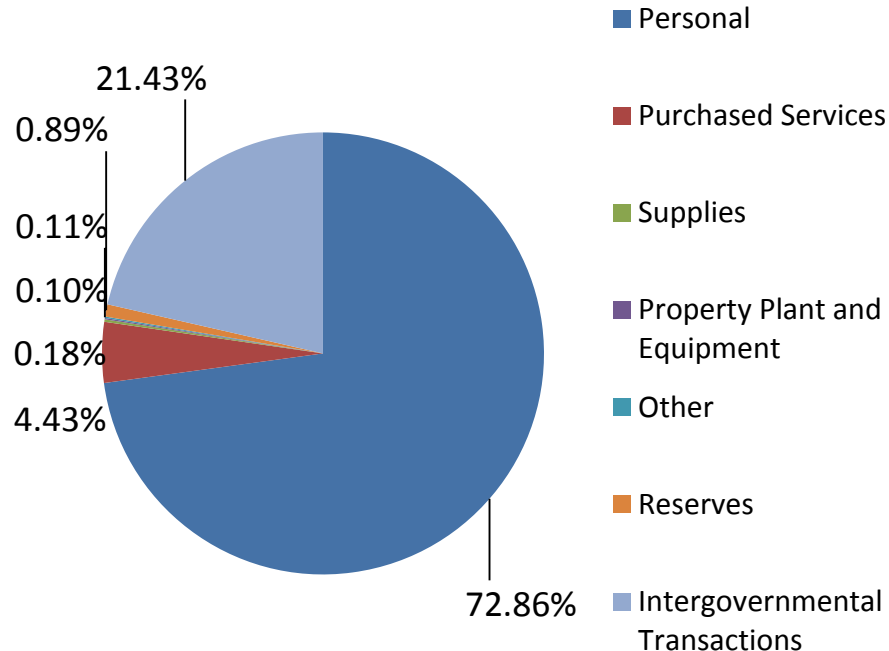
- Organization of Financial Operations:
 - Banking Operations
 - Bank Reconciliation Unit
 - Statewide Accounting Operations
 - Departmental Operations

Financial Operations Division

	FY 2009-10	FY 2010-11	FY 2011-12
Amount in Checks	\$22 Billion	\$22.6 Billion	\$20 Billion
Dollar Amount of Wire Transfers Processed	\$123.9 Billion	\$132.9 Billion	\$155.8 Billion
Number of Wire Transfers	16,120	18,324	21,000
Cash Balances in the State Treasurer's Depository Account and Community Banks	\$50.9 Million	\$27.8 Million	\$100.4 Million

Investment Management

**FY 2012-13 Certified Expenditures,
by Type**



- Manages approximately \$91.3 billion in State Funds (Sep 2012)
- Investment criteria authorized in Article 6, G.S. 147
- Includes Cash Management, Pension Funds, Ancillary Investments.

Investment Management: Organization

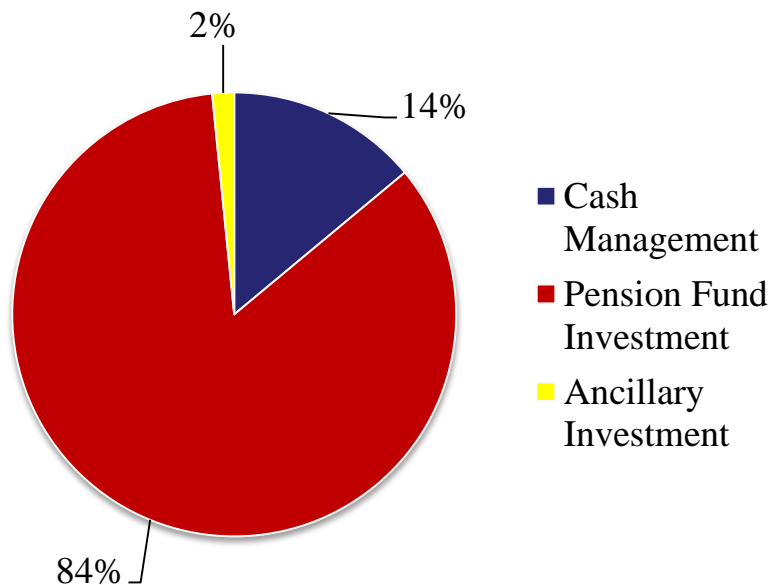
- Organized primarily around investment classes:
 - Chief Investment Officer
 - Chief Administrative Officer
 - Credit and Inflation
 - Fixed Income
 - Private Equity
 - Public Equity
 - Real Estate
 - Risk Management

Investment Management

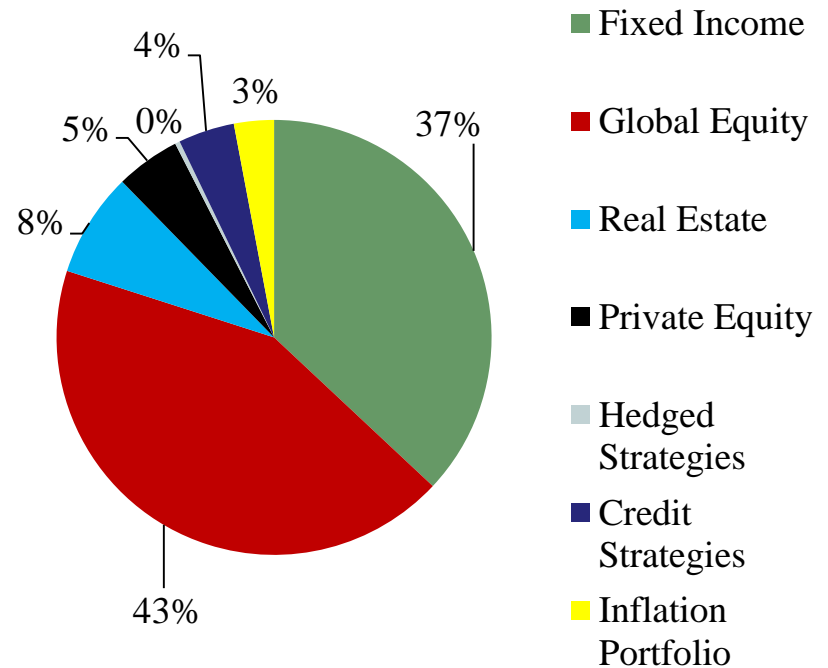
	Actual	Actual	Certified	Recommended Continuation	Recommended Continuation
Fiscal Year	2011	2012	2013	2014	2015
Requirements	\$4,693,036	\$5,467,249	\$5,079,874	\$5,831,415	\$5,831,415
Receipts	\$2,155,996	\$1,957,883	\$1,535,085	\$2,286,626	\$2,286,626
Appropriation	\$2,537,040	\$3,509,366	\$3,544,789	\$3,544,789	\$3,544,789
FTE (Certified)	25.0	26.0	26.0	28.0	28.0

Investment Division: Funds Under Management

2012 Assets Under Management



Pension Fund Asset Allocation: FY 2012



Investments

- Investment Performance (Sep 2012)
 - Cash Return:
 - Year to Date: 0.434%
 - Total Return for Trust Fund Investments:
 - 12 Month – 13.87%
 - 24 Month – 8.25%
 - 36 Month – 8.65%
 - 60 Month – 3.09%

Source: Sept. 2012 Submission to Jt. Legislative Commission on Governmental Operations

State and Local Finance Division: Mission

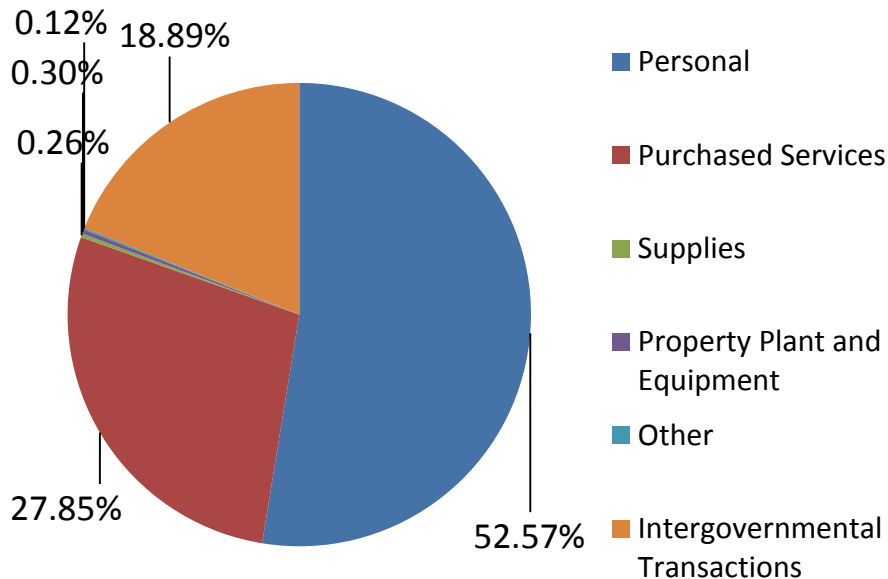
The State and Local Government Finance Division handles the sale and delivery of all State and local debt and monitors the repayment of State and local government debt. Staff counsel and assist local governments in determining the feasibility of projects, the size of the financing and the most expedient form of financing. Additionally, this Division monitors and analyzes the fiscal and accounting practices of all local governments.

State and Local Government Finance

- Division funded by:
 - Distribution of Local Sales Tax (G.S. 105-501)
 - Fees associated with debt issuances (G.S. 159-6)

State and Local Government Finance

**FY 2012-13 Certified Expenditures,
by Type**



- Administers G.S. 159 and G.S. 142
- Oversees State, Local, and other indebtedness
- Oversees local government finances
- Unique to North Carolina

State and Local Government Finance

	Actual	Actual	Certified	Recommended Continuation	Recommended Continuation
Fiscal Year	2011	2012	2013	2014	2015
Requirements	\$4,047,226	\$3,988,277	\$5,555,530	\$4,657,364	\$4,657,364
Receipts	\$733,409	\$4,104,604	\$5,555,530	\$4,657,364	\$4,657,364
Appropriation	\$3,313,817	\$0	\$0	\$0	\$0
FTE (Certified)	36.0	36.0	36.0	36.0	36.0

State and Local Government Finance

- Organization
 - Director/Administration
 - Capital Facilities Finance
 - Debt Management Planning and Policy
 - Fiscal Management

State and Local Government Finance

- Recently Passed Legislation Impacting State and Local Government Finance:
 - S.L. 2011-391 and S.L. 2012-142 allowed the Division to access fees to support an Audit, Integrated Debt, and Fiscal Management System
 - S.L. 2011-391 removed the upfront General Fund appropriation and reimbursement process

State and Local Government Finance

	FY 2009-10	FY 2010-11	FY 2011-12
State Bond Rating	AAA	AAA	AAA
Number of Local Governments Contacted Regarding Concerns	510	439	283
Debt Issued by Local Governments	\$6.5 Billion	\$3.3 Billion	\$4.2 Billion
Debt Issued for Special State and Local Authorities	\$2.5 Billion	\$1.6 Billion	\$1.3 Billion
Total State Debt Issued	\$1.7 Billion	\$1.5 Billion	\$1.3 Billion
AAA Rated Municipalities	19	19	19

State and Local Government Finance

- Local Government Outstanding Debt:
\$28,425,545,025 (Dec. 2012)
- State Government Outstanding Debt:
\$6,832,465,000 (Dec. 2012)
- Number of Local Governments Overseen:
Over 1,200 (Cities, Counties, Special Purpose Districts, Authorities, etc.)

Source: January 2013 Bond Reporter, Dept. of State Treasurer

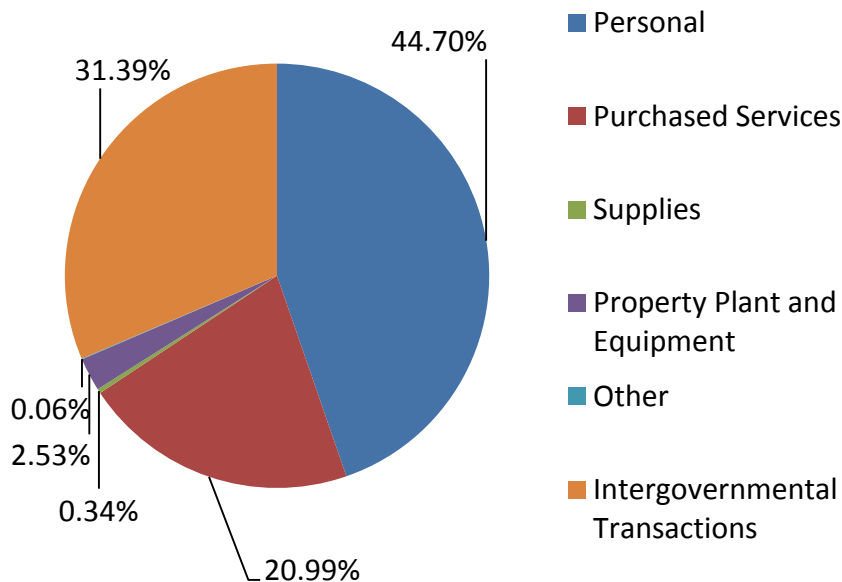
State and Local Government Finance

Boards and Committees

- Local Government Commission
- North Carolina Capital Facilities Finance Agency
- North Carolina Infrastructure Finance
- Debt Affordability Advisory Committee

Retirement Operations

**FY 2012-13 Certified
Expenditures, By Type**



- Administers Retirement and Fringe Benefit Plans for the State and other Systems
- Article V, Sec. 6 of NC Constitution
- 11th Largest Public Pension in the US
- 32nd Largest Pension Fund in the World

Retirement Operations, All Funds

	Actual	Actual	Certified	Recommended Continuation	Recommended Continuation
Fiscal Year	2011	2012	2013	2014	2015
Requirements	\$17,887,405	\$18,707,855	\$20,361,918	\$19,032,318	\$19,032,318
Receipts	\$18,027,899	\$18,433,602	\$20,359,876	\$19,032,318	\$19,032,318
Appropriation Decrease to Fund Balance	\$0	\$(274,253)	\$0	\$0	\$0
FTE (Certified)	161.94	163.99	163.99	164.980	164.980

Retirement Operations: Plans Managed – Systems and Funds

- Teachers and State Employee Retirement System
- Consolidated Judicial Retirement System
- Local Governmental Employee's Retirement System
- Legislative Retirement System
- Firemen's and Rescue Workers' Fund
- National Guard Pension Plan
- Register of Deeds Supplemental Pension Fund

Retirement Operations: Plans Managed - Supplemental

- Disability Income Plan
- Public Employees Social Security Agency
- Teachers' and State Employees' Benefit Trust
- Supplemental Retirement Income Plan
- Public Employee Deferred Compensation Plan
- NC 401(K)/NC 457 Transfer
- Contributory Death Benefit for Retired Workers
- Supplemental Insurance
- Health Trust

Retirement Operations

	FY 2009-10	FY 2010-11	FY 2011-12
Number of Retirees Receiving Benefits	229,000	242,000	254,000
Hold Time for Call Center	80 sec.	51 sec.	63 sec.
New Retirements Processed	13,472	14,642	15,992
Number of 401K and 457 Plan Members	251,744	258,793	265,979

2011 Program Evaluation Report: Compared to Other States' Retirement Plans, TSERS is Well Funded and Its Plan Features Are Typical or Less Generous

Retirement Operations

- Organization:
 - Director
 - Accounting
 - Benefits Processing
 - Member Services
 - Retirement Processing
 - Supplemental Plan Administration

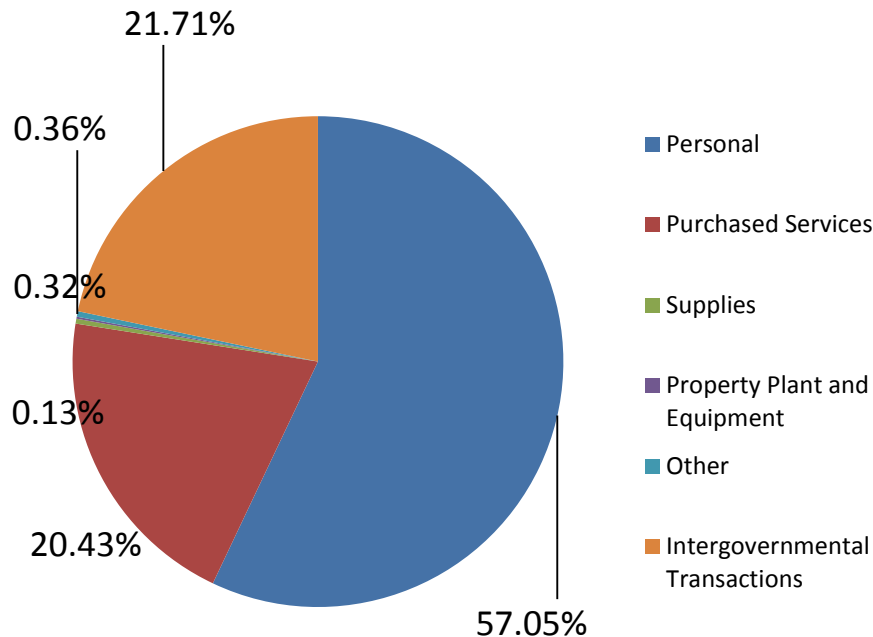
Retirement Operations

Boards and Commissions

- Teachers and State Employees Retirement Systems
- Local Government Employees Retirement Systems
- Firemen's and Rescue Workers' Pension Fund
- Consolidated Judicial Retirement System
- Supplemental Retirement Income Plans

Unclaimed Property

**FY 2012-13 Certified Expenditures,
by Type**



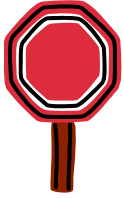
- Division that oversees Unclaimed (Escheats) Property
- Article IX, Section 10 of the Constitution
- Administers G.S. 116B

Unclaimed Property Division

	Actual	Actual	Certified	Recommended Continuation	Recommended Continuation
Fiscal Year	2011	2012	2013	2014	2015
Requirements	\$3,101,263	\$2,964,440	\$3,358,482	\$3,175,003	\$3,175,003
Receipts	\$3,101,263	\$2,964,440	\$3,358,482	\$3,175,003	\$3,175,003
Appropriation	\$0	\$0	\$0	\$0	\$0
FTE (Certified)	29.7	29.7	29.7	29.7	29.7

Unclaimed Property

- Organization:
 - Administrator
 - Audit
 - Claims Processing
 - Call Center
 - Receipts Reporting



Unclaimed Property

- Recently Passed Legislation Impacting Unclaimed Property Administration:
 - S.L. 2012-152: Restricted the use of Contingent Fee Audits performed by the Unclaimed Property Division
 - Will require an upfront appropriation from the Escheats Fund to cover the costs of audits.

Unclaimed Property

	FY 2009-10	FY 2010-11	FY 2011-12
Funds Deposited	\$163,293,449	\$144,768,449	\$114,665,277
Amount Paid	\$48,365,264	\$46,962,169	\$42,601,455
Phone Calls	88,625	89,295	115,248
Web Inquiries	4,345,909	4,776,414	5,364,423
Claims Paid	38,583	28,211	31,192

Fire and Rescue Workers and National Guard Pension

- Article 6 of G.S. 58 for Fire and Rescue Workers
- G.S. 147A-40 for National Guard
- 39,734 Active and 11,520 Retired Fire and Rescue Members
- 4,071 National Guard Members receiving benefit.
- Appropriations occur in General Government and Reserves sections of the Appropriations Act
- Funding decisions are not under the purview for the Sub-Committee on General Government

Fire and Rescue Workers and National Guard Pension

	Actual	Actual	Certified	Recommended Continuation	Recommended Continuation
Fiscal Year	2011	2012	2013	2014	2015
General Government	\$17,812,114*	\$17,812,114	\$17,812,114	\$23,179,042	\$23,179,042
Reserves	\$0	\$4,318,042	\$5,366,928		
Total	\$17,812,114	\$22,130,156	\$23,179,042	TBD	TBD

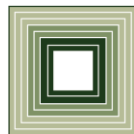
*S.L. 2009-451 transferred National Guard Pension from the Department of Crime Control and Public Safety (Department of Public Safety) to the Department of the State Treasurer

Questions

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Fiscal Research

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February 13, 2013